R.J. Reynolds Tobacco Company

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SENT VIA E-MAIL

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SUBJECT: SALEM VOLUME/SHARE PERFORMANCE

First of all, let me commend each of you on the performance of Salem in the Sales Area. We are the only Sales Area to be on target for Salem's SOM goal. However, the chart below summarizes Salem's SOM change since the previous quarter versus it's key Full Price Menthol competitors.

NESA SOM change since previous Quarter
(Qtr. ending June 1996)

	AO	GC	SM	OO
SALEM	-.07	-.11	+.04	-.01
NEWPORT	+.11	+.10	+.04	+.10
MARLBORO MENTHOL	+.05	+.10	+.03	-.03
KOOL	-.03	+.08	-.05	-.05

KEY POINTS

- As the above table reflects, Salem share performance is a function of CG
- Additionally, the Salem brand is experiencing a volume decline, nationally, in the past few months.
- As you are aware, Salem represents a good deal of volume for the Sales Area and the Company. Without a strong Salem annual performance, RJR FP Share Goal and Financial objectives will be difficult to obtain. These two components drive nearly 100% of AIAP/SAIP results.

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Source: https://www.industrydocuments.ucsf.edu/docs/ltfn0000

What I am most concerned with is Salem's recent share performance and its' volume L.E. shortfall. I am asking that ensure the following:

- Ensure divisions in your Region that have Salem "on grid" are executing the Salem matching strategy - the priority is in CG Outlets

- If the Salem matching strategy is to be employed, then we must:

  - Strive to place Salem's price promoted product in a display

  - Ensure that promotion pricing is maximized to the consumer via price communication

  - Ensure Salem's promoted quantities match in price and display to that of key competitors such as Newport, Kool and Marlboro Menthol

I realized that each of you and our people are committed to achieving the Company's goals in 1996 and I also know that I can count of each of you to give Salem its proper level of support in your Region.

Sincerely,

Dave

0252DW/di

c: J. V. Maguire

Attachments (2)

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Source: https://www.industrydocuments.ucsf.edu/docs/ltfn0000

'96 June Quarter versus Previous Quarter
Convenience/Gas Stores Only

	Price Gap Selling Price for Packs - Difference to Salem		Salem SOM Difference
	KOOL	NEWPORT	
BOSTON	-.02	+.01	-.05
NY METRO	+.02	-.03	-.17
PHILADELPHIA	+.02	-.02	+.06
BUFFALO	+.02	-.04	-.19
PITTSBURGH	+.10	+.05	-.21
CINCINNATI	+.02	-.05	-.13

This table reflects the price dynamics that result in share changes

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% CIV & % PV Levels for Q1 & Q2 1996
Convenience/Gas Stores

	SALEM				KOOL				NEWPORT			
	% CIV TOTAL DISCOUNT		% PV TOTAL DISCOUNT		% CIV TOTAL DISCOUNT		% PV TOTAL DISCOUNT		% CIV TOTAL DISCOUNT		% PV TOTAL DISCOUNT	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
BOSTON	30.1	31.3	17.8	20.1	59.8	54.9	11.3	13.8	42.7	47.1	7.0	7.7
NY METRO	37.7	43.0	12.0	2.1	45.6	41.9	21.2	18.0	37.8	45.8	2.0	9.6
PHILADELPHIA	47.3	40.2	12.6	8.3	45.5	38.6	17.9	8.6	33.9	31.4	3.1	4.6
BUFFALO	45.8	51.5	13.2	13.4	74.6	70.4	24.6	18.9	46.5	57.4	8.6	11.5
PITTSBURGH	25.3	35.4	4.8	11.4	67.5	39.8	15.9	5.5	66.1	56.2	10.04	10.4
CINCINNATI	43.6	35.5	6.9	3.6	52.0	53.0	8.5	8.7	62.4	65.1	14.4	25.1

This table reflects the level & depth of discounting for the first two quarters of 1996 for key menthol brands.

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